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RUEHLO/AMEMBASSY LONDON PRIORITY 9561
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 4378
RUEHKF/AMCONSUL KARACHI PRIORITY 0974
RUEHLH/AMCONSUL LAHORE PRIORITY 6671
RUEHPW/AMCONSUL PESHAWAR PRIORITY 5595
RUEKJCS/SECDEF WASHINGTON DC PRIORITY
RHWSMRC/USCINCCENT MACDILL AFB FL PRIORITY
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY

S E C R E T SECTION 01 OF 05 ISLAMABAD 000236

SIPDIS

EO 12958 DECL: 01/24/2019

TAGS PREL, PGOV, PTER, EAID, MARR, MOPS, PK
SUBJECT: SCENESETTER FOR SPECIAL ENVOY HOLBROOKE

Classified By: Anne W. Patterson, for reasons 1.4 (b)(d)

1. (C) Summary. Mission Pakistan warmly welcomes your arrival; your appointment comes as Pakistan grapples with internal change and hopes the
2. (S) Now absorbing combat losses against a formidable militant enemy, Pakistan's military finally has begun to accept more USG training and
3. (C) Indo-Pakistan relations are still simmering. In the wake of Mumbai and accelerating militant control of Pakistani territory, the milita

Domestic Politics

4. (C) The civilian government headed by President Asif Zardari and Prime Minister Yousaf Gilani, elected one year ago, is now stable. Zardari
5. (C) While far from perfect, you will find Zardari is pro-American and anti-extremist; we believe he is our best ally in the government. Cle
6. (C) XXXXXXXXXXXX The PPP may also make a power play to take over the Punjab government, which now is ruled by Shahbaz Sharif. During your
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hear rumors the Army is unhappy with Zardari and may step in to oust him, particularly if it is needed to restore order.

7. (C) The premise behind these rumors is that Nawaz-inspired street demonstrations timed to coincide with indirect Senate elections and anot

Not A Failed State

8. (C) This is not a failed state. Pakistan has solid albeit weak institutions, a robust if often irresponsible media, established although ur
9. (C) Although we do not believe Pakistan is a failed state, we nonetheless recognize that the challenges it confronts are dire. The governme

Security

10. (C) The good news is that the government has the will to fight extremism and the Army/Frontier Corps is now actively engaged in combat, pe
11. (C) The bad news is that the militants are driving the agenda; the Pakistan military has too few forces to fight too many battles at one t
12. (C) The military's decision in 2008 to strike a deal with Baitullah Mehsud in South Waziristan helped to reduce the number of suicide bomb
13. (S) As recent media reports indicate, the U.S. has been remarkably successful in disrupting al-Qaida operations in Pakistan's tribal areas
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Africa embassy bombings in 1998 and tied to Islamabad's Marriott bombing, have been eliminated. We can discuss this issue in more detail during

Solutions

14. (C) The government has a strategy of "dialogue, deterrence and development;" however, it lacks the military capacity to deter militants ar
15. (C) We share the government's belief that there is no all-military solution to containing extremism. We are implementing a strategy of cor
16. (C) Extremism, however, is no longer restricted to the border area. We are seeing young Punjabi men turn up in FATA and Afghanistan as fig
17. (SBU) Including FATA, USAID will program approximately \$500 million in 2009 for Pakistan; if Kerry/Lugar is approved and funded, this will

Afghanistan

18. (C) Benazir Bhutto met with President Karzai the morning of her assassination; Karzai attended Zardari's inauguration and the two have met
19. (C) Following embarrassing militant attacks on U.S./NATO convoys last year, Pakistan has made efforts to secure Khyber Agency/Torkham Gate
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between Pakistani and NATO/Afghan forces across the border have dramatically increased since October. This has reduced cross-border attacks on

India

20. (C) Indo-Pak tensions are still simmering, but to avoid a potential Indian military strike, the GOP needs to show progress on prosecuting
21. (C) The Foreign Ministry quashed National Assembly debate of a resolution signed by leaders of most of the political parties urging the U.

Nukes

22. (S) Strategic Plans Division Director LtGen (ret) Kidwai can brief you in detail on Pakistan's physical, personnel and command and control
23. (C) Khan, who now is suffering from cancer, remains a national hero, albeit one who is closely monitored under house arrest. In 2008, he t
- Program of Record/F-16s

24. (C) DOD is requesting that Congress create a program of record for Pakistan, similar to that for Iraq and Afghanistan, which would provide
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25. (C) The Bush administration commitment to provide Pakistan with \$300 million annually in FMF expires in 2009, and we need to come to agree
26. (C) Pakistan simply cannot afford to complete this \$2 billion plus program to buy 18 new F-16s, upgrade 35 older Excess Defense Articles a

Economy

27. (C) Faced with untenable budgetary deficits, high inflation, and hemorrhaging foreign exchange reserves, the PPP government had little chc
28. (C) While it appears that the GOP will be able to meet the IMF's first quarter targets, the higher interest rates imposed by the Fund, alc
29. (C) The IMF has estimated that the GOP will need an additional \$4 billion from donors over the next two years to strengthen the country's
- PATTERSON